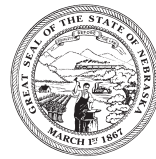


STATE OF NEBRASKA

DEPARTMENT OF REVENUE
Mary J. Egr Edson
Tax Commissioner



Dave Heineman
Governor

IMPORTANT WITHHOLDING NOTICE

State Income Tax Withholding Required On Pension And Annuity Payments When Federal Withholding Occurs

Magnetic Media Filing Encouraged

STATE INCOME TAX WITHHOLDING ON PENSIONS AND ANNUITIES. Legislative Bill 216, enacted by the 2005 Legislature, changes the state income tax withholding provisions for pension and annuity payments made to Nebraska residents effective for **payments made on and after January 1, 2006.**

Prior law had made state income tax withholding on such payments voluntary upon request of the annuitant or payee. **LB 216 now requires that withholding for state tax occur whenever the recipient has federal withholding taken from a pension or annuity payment.**

For **periodic payments** of pensions and annuities, the withholding is figured in the same manner as withholding from wages. Payors are to use the same number of allowances and marital status as claimed by the payee on the Federal Form W-P, Withholding Certificate for Pension or Annuity Payments, filed with the payor. Use the appropriate payroll period in the **1998 Nebraska Circular EN** to coincide with the type of periodic payment (i.e., monthly, quarterly), together with the applicable withholding allowances and marital status to compute the amount to withhold for state income tax purposes.

Nonperiodic payments or eligible rollover distributions subject to either the mandatory 10 percent or 20 percent federal rate will withhold at a rate of five percent (5%) for state income tax purposes.

Payees choosing to **not** have federal tax withheld are not required to have state income tax withheld. Alternatively, a taxpayer may also request to have **additional** state tax withheld. Payors are to advise payees how to communicate such request(s).

MAGNETIC MEDIA REPORTING. The Department encourages employers/payors to file via magnetic media. This includes the Nebraska copies of Forms W-2, 1099-R, 1099-MISC, and W-2G.

Be sure to file Form 4419N with the Department. See the following Information Guides on our Web site at **<http://www.revenue.ne.gov>** for more information:

- **Nebraska Computer Reporting Procedure, for Wage & Tax Statement, Form W-2 (21MMREF)**
- **Nebraska Computer Reporting Procedure, for Forms 1099-MISC, 1099-R, & W-2G (21CM)**
- **W-2 and 1099 Magnetic Media Filers - Updates**

8-606-2005



P.O. Box 94818
Lincoln, Nebraska 68509-4818

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FOR NEBRASKA TAX ASSISTANCE

For All Tax Programs Except Motor Fuels

Contact your regional office or call **1-800-742-7474** (toll free in NE and IA)
or **1-402-471-5729**

Nebraska Department of Revenue Web site address: www.revenue.ne.gov
A copy of the Taxpayer Bill of Rights is available by calling any of our regional offices or visiting our Web site.

SCOTTSBLUFF

Panhandle State Office Complex
4500 Avenue I, Box 1500
Scottsbluff, Nebraska 69363-1500
Telephone (308) 632-1200

NORTH PLATTE

Craft State Office Building
200 South Silber Street
North Platte, Nebraska 69101-4200
Telephone (308) 535-8250

GRAND ISLAND

TierOne Bank Building, Suite 460
1811 West Second Street
Grand Island, Nebraska 68803-5469
Telephone (308) 385-6067

NORFOLK

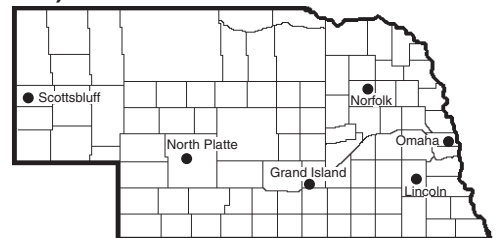
304 North 5th Street, Suite "D"
Norfolk, Nebraska 68701-4091
Telephone (402) 370-3333

OMAHA

Nebraska State Office Building
1313 Farnam-on-the-Mall
Omaha, Nebraska 68102-1871
Telephone (402) 595-2065

LINCOLN

Nebraska State Office Building
301 Centennial Mall South
Lincoln, Nebraska 68509-4818
Telephone (402) 471-5729



For Motor Fuels tax programs only call toll free 1-800-554-3835 (Lincoln residents call 471-5730).

Hearing-impaired individuals may call the Text Telephone (TT) at 1-800-382-9309. TDD (Telecommunications Device for the Deaf) is designated by the use of "TT," which is consistent with the Americans with Disabilities Act.